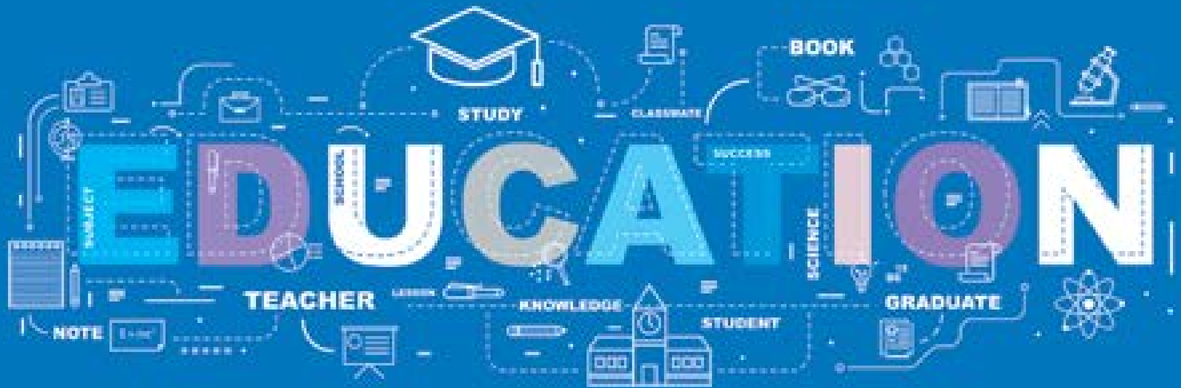
الشركة الأولى للتعليم
First Education Company



ANNUAL REPORT

2018

بسم الله الرحمن الرحيم

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

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BOARD MEMBERS

Mr. Mohamed Ghaith Al Tayyar
Chairman

Mrs. Dalal D. Al-Ghunaim
Vice Chairman

Mr. Nasser S. Al-Saleh
Board member

Mrs. Reem M. Badran
Board member

Mr. Jayantha Premasekera
Board member

Mr. Sultan Mohammad Al-Eisa
Board member

Dr. Abdullah O. Al-Hashem
Board Member

Board of Directors Report

Dear Shareholders,

May Peace, Mercy and Blessing of Allah be upon you …

The Board of Directors has the pleasure to welcome you to the Ordinary Annual General Assembly Meeting of your esteemed Company to present the Board of Directors Report on the results of the Company's business and operations as on 30/09/2018 as well as its future directions.

Since its establishment, First Education Company ("FEC") aims to invest in the promising educational institutions and to build strategic partnerships with a view to develop successful educational units which provide to the society distinct and advanced education, keeping pace with global developments and contributes to the creation of an educated and qualified generation, able to make fruitful contributions to their domestic society.

Most FEC's investments in Kuwait have maintained their performance compared to last year. At the end of 2018, Al Resalah Bilingual School (RBS), owned by Al Kalemah Al Tayebah Company, obtained the international recognition from the Council of International Schools (CIS). Also, Al Nibras Schools, owned by the Integrated Curriculum Company, obtained the license to construct an additional building to increase the school capacity in order to meet the increased demand. Moreover, for the first time since its operations, Kuwait College of Science and Technology (KCST) achieved a net profit of KD 238,257 and the number of students increased to 743 students (490 in 2017).

In Riyadh, Saudi Arabia, the number of students at Universe International School declined to 250 (324 in 2017) and the school achieved a net profit of SR 0.934 million (SR 1.82 million in 2017). This decline is attributed to the economic downturn in the Kingdom related to the nationalization scheme (Saudization) which resulted in the return of many expatriates to their homeland.

In the Kingdom of Bahrain, the Kingdom University achieved a net profit of BD 100,433 (BD 105,704 losses in 2017). The electricity is expected to be connected to the new building during the first half of 2019.

In the Hashemite Kingdom of Jordan, Petra University has maintained its financial performance, with a slight increase in the number of students to 7,358 students (7,052 in 2017).

As for the Company's future actions, the Company is still looking for a new lessee for Al-Nafal Educational Complex in Riyadh after the exit of the former lessee in order to boost the Company's revenues.

The Company's consolidated revenues for the period ended in September 2018 had a loss of KD. 783,452, a decrease of 155% compared to the previous fiscal year, mainly due to the losses resulting from the re-evaluation of the Al-Nafal Educational Complex in Riyadh. On the other hand, the Company's consolidated expenses decreased by 35% to KD 360,276, mainly attributed to the reduction in the operating expenses of Al-Nafal Educational Complex. Finally, the net loss to the Company's shareholders at the end of the period reached KD 605,920; a decline of 201% over the previous fiscal year.

In conclusion, we would like to seize this opportunity to extend grateful thanks and gratitude to all members of the Company at all administrative and technical levels for their sincere efforts made in achieving our accomplishments, thanks to Allah Almighty. Also, we wish to all our esteemed shareholders' constant prosperity and success in the future.

Sincerely

Mohammad Ghaith Al-Tayyar
Chairman

11/04/2019

Final report of the Sharia Supervisory Committee
For the financial period of 01/10/2017 to 30/09/2018

To The Shareholders of First Education Company (FEC)
Allah's peace, mercy and blessings be upon you

In accordance with the powers delegated to us by the members of the General Assembly of **First Education Company (FEC)** and under the Company's Articles of Association and the relevant regulatory directives, the Sharia Supervisory Committee submits its final report for the period from 01/10/2017 to 30/09/2018 It includes four items as follows:

First: The work of the Sharia Supervisory Committee

The Sharia Supervisory Committee carried out its work, which included examining the investment structures, contract forms, products, policies and procedures either directly or in coordination with the internal Sharia audit department in order to obtain all the information and explanations that it considered necessary to provide sufficient evidence and give reasonable assurance that the company did not violate the provisions of Islamic law in the light of the resolutions of the Sharia Supervisory Committee and the Sharia standards adopted by the Company and the decisions of the relevant regulatory bodies.

Second: Decisions of the Sharia Supervisory Committee

The Sharia Supervisory Committee of the Company did not issue any decisions during the period.

Three: policies and procedures

The Sharia Supervisory Committee of the Company did not issue any policies and procedures during this period

four: The final opinion:

In our opinion, after examining all the clarifications and assurances we have obtained, we confirm that:

1. The contracts, operations and transactions concluded by the Company during the period from 01/10/2017 to 30/09/2018 were made entirely in accordance with the provisions of the Islamic Sharia.

Head of the Sharia
Supervisory Committee
Prof. Dr. Abdul Aziz Al Qassar

Member of the Sharia
Supervisory Committee
D. Issa Zaki Issa

Member of the Sharia
Supervisory Committee
D. Ali Ibrahim Al Rashed

COMPANY PROFILE

Company Brief

First Education Company is a Kuwaiti share holding company (closed), located in Kuwait city, Kuwait.

It was founded in 2005 to be a leader in providing diverse educational and learning services of high quality and competitive costs at all learning levels.

First Education company has a major role of supporting private education in Kuwait and gulf region by developing and establishing innovative network of high quality educational institutions.

Vision & Mission

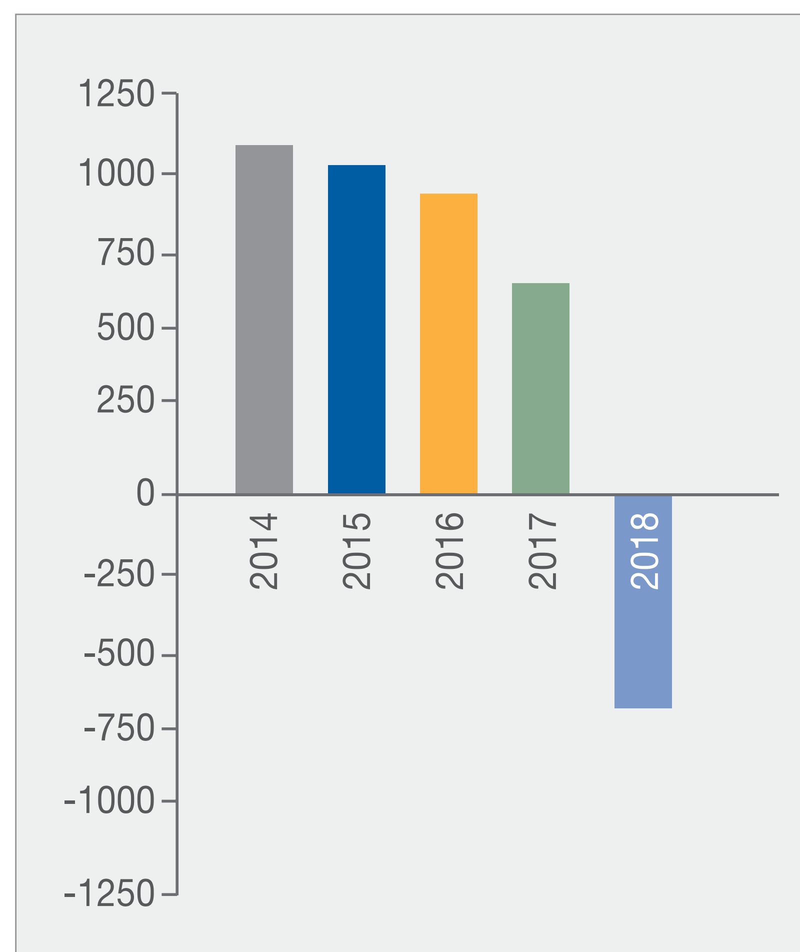
Vision

First Education Company (FEC) aims at acquiring a leading position as an eminent originator of value-added educational facilities in Kuwait, GCC, MENA region and beyond.

Mission

FEC's mission is to ensure that every person has the chance to learn, grow and prosper through access to quality education. Through education, we believe that we will create a generation of educated adults who will positively contribute to the communities locally, regionally and globally.

Net Profit - KD 000's



Stock Performance

	2014	2015	2016	2017	2018
Earnings Per Share (Fils)	7	7	6	4	(4)
Dividend Distribution (Fils/Share)	-	5	5	5	-
Book Value Per Share (Fils)	107	122	126	124	107

Kalema Tayeba Educational Company KSC (Closed), Kuwait

مـدرسة الرسالة ثنائية اللغة
AL-RESALA BILINGUAL SCHOOL

Established in year 2005, this company owns Al-Resala Bilingual School situated in Mahboula on Fahaheel Highway. Al-Resala School provides students with a challenging education program which enables students to reach their full academic.

The educational program adopts interdisciplinary to learning where integration of the subject matter is at its core. It offers Arabic – English education to boys and girls starting from kindergarten to gradually grow to grade twelve. Al-Resalah integrates special needs students in a carefully designed curriculum. The school Holidays coincide with the holidays of Kuwait Ministry of Education.

The paid up capital of KTEC is KD 3.6 Million and FEC owns 20.00% in this investment.

Integrated Curriculum for Education Services Company W.L.L., Kuwait

مدرسة النبـراس الدولية ثنائية اللغة
Al Nibras International Bilingual School

Established in year 2004, ICESC owns two schools, a school for children of special needs and another Nibras International Bilingual School. It offers Arabic – English education to boys and girls starting from kindergarten to gradually grow to grade twelve. Nibras sent their first batch to grade twelve in the year 2015.

Al-Nibras Schools are situated in Garb Jaleeb area in Farwaniya governorate opposite Abdullah Al Mubarak residential area, near the new location of Kuwait University's Shadadiyah campus.

The school offers all its services in the Arabic language using. The school offers speech therapy, physical therapy, occupational therapy, social worker, counselor, nurse and monthly medical checkup.

The paid up capital of ICESC is KD 2.85 Million and FEC owns 32.71% in this investment.

Kuwait College for Science & Technology

Established in year 2007, Kuwait College of Science & Technology (KCST) in Kuwait has been established jointly with the Indian Institute of Technology (IIT), New Delhi's technical collaboration. The campus of KIST is completed and has started admission of the students since year 2016.

KCST is a private university established with the purpose of providing internationally recognized Under Graduate degrees in Science & Technology. KCST is located at a prominent location in Doha, west of Kuwait City amidst educational and recreational attractions. KCST takes pride in excellence in teaching, learning, research and developing leaders in various disciplines, while keeping pace with the rapid scientific and technological advancement of the modern world.

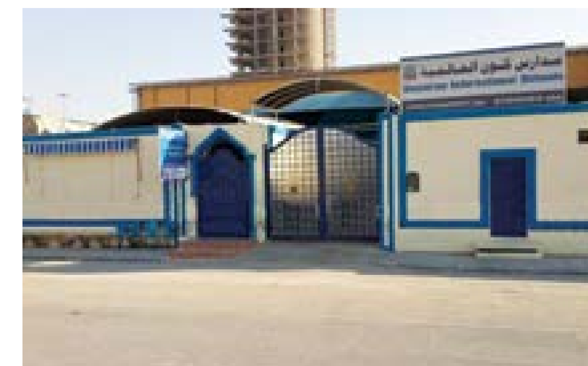
The paid up capital of KCST is KD. 6.825 Million and FEC owns 9.9% in this investment.

Saudi Arabia
Nafl Education Complex, Riyadh

By acquiring majority stake in Al-Maali Real Estate Company, FEC jointly owns Nafl Education Complex in Nafl City area of Riyadh, Saudi Arabia. The complex is expected to house an international school soon after Imam Mohammed Ibn Saud University vacates this complex.

Paid up capital of Al Maali is SAR 60.1 Million and FEC owns 64.3% in this investment.

Universe International School, Riyadh



FEC has invested in an international school in Nakheel area of Riyadh, an upcoming suburb. The school is presently accepting students from nursery to Grade Three for boys and girls from Nursery to Grade Six and will gradually grow to Grade Twelve.

FEC has taken 30% stake in the school which was valued at SAR 13.750 Million at the time of acquisition.

Kingdom of Bahrain
The Kingdom University BSC (Closed), Bahrain

Established in year 2004, Kingdom University (KU) is situated in Kingdom of Bahrain. KU offers undergraduate courses in College of Arts, College of Architectural Engineering & Design, College of Business, and College of Law. It will also provide facility for master's degree studies in Architecture and Law.

The University emphasizes the importance of innovation and development of the sense of creativity among students, so it adopted a curriculum for this purpose under the name of "Creative Thinking", a course that includes theoretical and scientific material, as well as applied and allied activities, which promote creative thinking in students.

The paid up capital of KU is BHD 7,580,968 Million and FEC owns 45.38% in this investment.

MENA
University of Petra, Amman

Located in West Amman, the University of Petra's friendly campus houses seven thousand undergraduate and graduate students in the faculties of Arts and Sciences, Pharmacy & Medical Sciences, Information Technology, Law, Architecture & Design, Administrative & Financial Sciences, and Mass Communication.

The University is a hub for creating knowledge through research, developing skills, applying knowledge to new technologies, and technology transfer.

In its endeavor to achieve this, the University has achieved the ISO 9001 of management for supporting higher education certificate, and the certificate of quality assurance of the Higher Education Accreditation Commission; in addition, the University is 1st runner-up on the QS ranking of private universities. It works toward quality, relevance, and alignment in terms of teaching and research, as well as bridging with industry, public and private sectors, and with the community at large.

With the development of e-learning, e-library and high speed communication facilities, The University has transformed itself into a smart campus where students and faculty interact with knowledge to develop their state-of-the-art skills with an aim towards enhancing innovation, entrepreneurship and creativity.

The paid up capital of University of Petra is JOD 16 Million and FEC owns 9.38% in this investment.

First Education Company K.S.C. (Closed)

and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (Closed)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

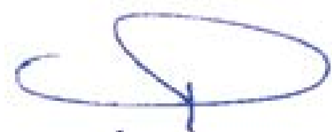
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements (continued)

purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY
AL AIBAN, AL OSAIMI & PARTNERS

17 March 2019
Kuwait

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 September 2018

	Notes	*2018* *KD*	*2017* *KD*
INCOME			
Dividend income		**220,986**	223,648
Valuation loss of investment property	4	**(1,466,467)**	(17,445)
Rental income		**69,153**	813,074
Share of results from associates	6	**382,638**	321,621
Tuition fees		**-**	7,094
Other income		**10,238**	59,311
		(783,452)	1,407,303
EXPENSES			
Staff costs		**(112,016)**	(132,744)
Direct tuition costs		**-**	(24,611)
Depreciation		**(13,682)**	(15,416)
General and administrative expenses		**(234,578)**	(383,360)
		(360,276)	(556,131)
(LOSS) PROFIT FOR THE YEAR BEFORE TAX AND DIRECTORS' REMUNERATION		**(1,143,728)**	851,172
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**-**	(2,700)
Zakat		**-**	(3,501)
Directors' remuneration		**-**	(17,500)
(LOSS) PROFIT FOR THE YEAR		**(1,143,728)**	827,471
Attributable to:			
Equity holders of the Parent Company		**(605,920)**	602,150
Non-controlling interests		**(537,808)**	225,321
		(1,143,728)	827,471

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2018

	2018 *KD*	*2017* *KD*
(Loss) profit for the year	**(1,143,728)**	827,471
Other comprehensive income		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets (IAS 39):		
Change in fair value	**-**	(216,539)
Exchange differences on translation of foreign operations	**(33,023)**	43,871
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(33,023)**	(172,668)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(24,305)**	-
Other comprehensive loss for the year	**(57,328)**	(172,668)
TOTAL COMPERHENSIVE (LOSS) INCOME FOR THE YEAR	**(1,201,056)**	654,803
Attributable to:		
Equity holders of the Parent Company	**(670,984)**	416,553
Non-controlling interests	**(530,072)**	238,250
	(1,201,056)	654,803

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	2018 KD	2017 KD
ASSETS			
Non-current assets			
Furniture and equipment		**35,535**	45,239
Investment property	4	**5,471,373**	6,918,387
Investment securities	5	**4,870,753**	4,826,293
Investment in associates	6	**6,661,286**	7,304,561
		17,038,947	19,094,480
Current assets			
Investment securities	5	**18,078**	26,758
Accounts receivable and prepayments	7	**664,514**	841,000
Bank balances and cash		**884,065**	1,727,191
		1,566,657	2,594,949
TOTAL ASSETS		**18,605,604**	21,689,429
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**15,000,000**	15,000,000
Statutory reserve	9	**260,706**	260,706
Fair value reserve		**1,880,606**	1,836,146
Foreign currency translation reserve		**624,232**	664,991
(Accumulated losses)/ retained earnings		**(1,702,281)**	765,163
Equity attributable to the equity holders of the Parent Company		**16,063,263**	18,527,006
Non-controlling interests		**2,028,649**	2,728,616
Total equity		**18,091,912**	21,255,622
Non-current liabilities			
Employees' end of service benefits		**23,647**	22,089
Current liabilities			
Accounts payable and accruals	10	**490,045**	411,718
Total liabilities		**513,692**	433,807
TOTAL EQUITY AND LIABILITIES		**18,605,604**	21,689,429

Mohammad Gh M Gh Al Tayyar
Chairman

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2018

	Attributable to the equity holders of the Parent Company							
	Share capital KD	*Statutory reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings/ (accumulated losses) KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 October 2017 as previously reported (audited)	15,000,000	260,706	1,836,146	664,991	765,163	18,527,006	2,728,616	21,255,622
Transition adjustment on early adoption of IFRS 9 (Note 2.2)	-	-	68,765	-	(1,111,524)	(1,042,759)	(169,895)	(1,212,654)
As at 1 October 2017 (restated)	15,000,000	260,706	1,904,911	664,991	(346,361)	17,484,247	2,558,721	20,042,968
Loss for the year	-	-	-	-	(605,920)	(605,920)	(537,808)	(1,143,728)
Other comprehensive (loss) income for the year	-	-	(24,305)	(40,759)	-	(65,064)	7,736	(57,328)
Total comprehensive loss for the year	-	-	(24,305)	(40,759)	(605,920)	(670,984)	(530,072)	(1,201,056)
Dividends (Note 15)	-	-	-	-	(750,000)	(750,000)	-	(750,000)
At 30 September 2018	**15,000,000**	**260,706**	**1,880,606**	**624,232**	**(1,702,281)**	**16,063,263**	**2,028,649**	**18,091,912**
As at 1 October 2016	15,000,000	198,121	2,052,685	634,049	975,598	18,860,453	2,924,862	21,785,315
Profit for the year	-	-	-	-	602,150	602,150	225,321	827,471
Other comprehensive (loss) income for the year	-	-	(216,539)	30,942	-	(185,597)	12,929	(172,668)
Total comprehensive (loss) income for the year	-	-	(216,539)	30,942	602,150	416,553	238,250	654,803
Transfer to statutory reserve	-	62,585	-	-	(62,585)	-	-	-
Dividends (Note 15)	-	-	-	-	(750,000)	(750,000)	(434,496)	(1,184,496)
At 30 September 2017	15,000,000	260,706	1,836,146	664,991	765,163	18,527,006	2,728,616	21,255,622

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 September 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
(Loss) profit for the year		(1,143,728)	827,471
Adjustments to reconcile (loss) profit for the year to net cash flows:			
Dividend income		(220,986)	(223,648)
Valuation loss of investment property	4	1,466,467	-
Share of results of associates	6	(382,638)	(321,621)
Depreciation		13,682	15,416
Provision for employees' end of service benefits		3,575	6,945
		(263,628)	304,563
Working capital adjustments:			
Accounts receivable and prepayments		(400,736)	899,357
Accounts payable and accruals		(50,418)	(229,817)
Cash flows (used in) from operations		(714,782)	974,103
Employee's end of service benefits paid		(2,017)	(4,774)
Net cash flows (used in) from operating activities		(716,799)	969,329
INVESTING ACTIVITIES			
Dividend income received		220,986	223,648
Purchase of furniture and equipment		(3,978)	-
Proceeds from sale of furniture and equipment		-	34,028
Proceeds from liquidation of financial assets at fair value through profit or loss		8,680	-
Dividends received from associates	6	275,522	312,341
Net cash flows from investing activities		501,210	570,017
FINANCING ACTIVITIES			
Dividends paid to equity holders of the Parent Company		(621,255)	(673,755)
Dividend paid to non-controlling interests		-	(434,496)
Net cash flows used in financing activities		(621,255)	(1,108,251)
Net foreign exchange differences		(6,282)	30,942
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		(843,126)	462,037
Bank balances and cash as at 1 October		1,727,191	1,265,154
BANK BALANCES AND CASH AS AT 30 SEPTEMBER		884,065	1,727,191
Non-cash items excluded from the consolidated statement of cash flows:			
ECL opening balance adjustment for trade receivables (Adjusted with accounts receivable and prepayments)		475,895	-

The attached notes 1 to 15 form part of these consolidated financial statements.

First Education Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 30 September 2018

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 11 March 2019, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in the State of Kuwait on 20 December 2005.

The principal activities of the Parent Company is as follows:

- Constructing, establishing and managing educational institutions and various kinds of schools including nursery, primary, preparatory and secondary schools.
- Constructing and managing professional educational institutions and various training institutes and centres.
- Constructing buildings necessary for educational institutions and importing, exporting and trading in fixtures, equipment and plants pertaining to educational activities in all levels.
- Conducting studies and rendering all types of consultancy services and feasibility studies in the educational and training fields.
- Holding training courses relevant to the company's objectives according to the needs of the governmental bodies, companies and private institutions.
- Obtaining agencies for educational and training institutions and representing companies with similar objectives after obtaining the necessary official approvals.
- Issuing, publishing and distributing printouts and special books in the educational fields after obtaining the necessary licenses.
- Rendering programs and special computer services in the educational fields.
- Using surplus funds available with the company by investing it in financial portfolios managed by specialized bodies and companies.
- The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

The registered postal address of the Parent Company is at P.O. Box 20389, Safat 13063, Kuwait.

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1.2 GROUP INFORMATION

Subsidiaries

The consolidated financial statements of the Group include following subsidiaries:

Name of the company	*Country of incorporation*	*Principal activities*	*Effective equity interest*	
			2018	*2017*
Direct subsidiaries				
Saudi Kuwaiti Education & Training Company Limited	Saudi Arabia	Educational services	**100%**	100%
Al Maali Real Estate Company W.L.L.	Saudi Arabia	Educational services	**64.3%**	64.3%
FEC Holding Limited [1]	United Arab Emirates	Educational services	**100%**	100%
Held through FEC Holding Limited				
FEC Edification Holding Limited [1]	United Arab Emirates	Educational services	**100%**	100%

[1] The Parent Company agreed to dissolve the operations of FEC Holding Limited and its direct subsidiary FEC Edification Holding Limited domiciled in the United Arab Emirates. As this subsidiary is not significant to the Group, the management does not expect any significant impact arising from the proposed dissolution on the Group's consolidated financial statements.

a) Associates

Set out below are the associates of the Group as at 30 September. For more details, refer to Note 6.

Name of company	*Country of incorporation*	*Principal Activities*	*% equity interest*		***2018***	*2017*
			2018	***2017***	***KD***	*KD*
The Kingdom University B.S.C. (Closed) ("KU")	Kingdom of Bahrain	Educational services	45.38%	45.38%	**3,230,463**	3,729,401
Integrated Curriculum for Education Services Company W.L.L. ("ICES")	Kuwait	Educational services	32.71%	32.71%	**1,300,115**	1,339,147
Kalema Tayeba Educational Company K.S.C. (Closed ("KTEC")	Kuwait	Educational services	20.00%	20.00%	**1,726,519**	1,826,061
Al Koon International Schools Company W.L.L. ("Al Koon")	Kingdom of Saudi Arabia	Educational services	30.00%	30.00%	**404,189**	409,952
					6,661,286	7,304,561

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2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for investment in equity securities and investment properties which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 Early Adoption of IFRS 9- Financial instruments ("IFRS 9")
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively in advance of its effective date with an initial application date of 1 October 2017. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings/ accumulated losses and other components of equity.

a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 October 2017. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Groups's financial assets:

- Accounts receivable classified as 'Loans and receivables' under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as 'Debt instruments at amortised cost' beginning 1 October 2017.
- Equity securities that the Group intends to hold for the long term for strategic purposes have been irrevocably designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- Equity securities that the Group designated as at FVTPL under IAS 39 because they were managed on a fair value basis and their performance was monitored on this basis have been classified as mandatorily measured at FVTPL under IFRS 9 beginning 1 October 2017.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 Early Adoption of IFRS 9 - Financial instruments ("IFRS 9") (continued)

a) Classification and measurement (continued)

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The IFRS 9 impact of required or elected reclassifications as at 1 October 2017 is disclosed in transitional provisions.

b) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. IFRS 9 requires the Group to recognise an allowance for ECLs for all other debt instruments not held at fair value through profit or loss and contract assets.

The Group's accounting policies for impairment of financial assets is explained in Note 2.4. The quantitative impact of adoption of IFRS 9 as at 1 October 2017 is disclosed in Note 2.2, under transitional provision of IFRS 9.

c) Hedge accounting
At the date of initial application, the Group had no existing hedging relationships and therefore the new general hedge accounting model in IFRS 9 has no impact on the Group.

Transitional provisions
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2017. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the nature of the financial instrument (i.e. debt or equity instrument);
- The designation of certain equity instruments (i.e. FVTPL or FVOCI without recycling); and
- The determination of business model within which a debt instrument is held.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 Early Adoption of IFRS 9 - Financial instruments ("IFRS 9") (continued)

Transitional provisions (continued)

The total impact on the Group's equity at 1 October 2017 is as follows:

	(Accumulated losses)/ retained earnings KD	*Fair value reserve KD*	*Non-controlling interests KD*
Closing balance under IAS 39 (30 September 2017)	765,163	1,836,146	2,728,616
Impact on reclassification and re measurements:			
Fair value gain on re-measurement unquoted equity securities at FVOCI	-	68,765	-
ECL under IFRS 9 for financial assets – accounts receivable at amortised cost	(306,000)	-	(169,895)
ECL under IFRS 9 from associates – accounts receivable at amortised cost	(805,524)	-	-
Opening balance under IFRS 9 on date of initial application of 1 October 2017	(346,361)	1,904,911	2,558,721

Classification of financial instruments on the date of initial application of IFRS 9
The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 October 2017, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows reconciliation of original measurement categories and carrying amount in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial instruments as at 1 October 2017.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	Re-measurement/ ECL KD	New carrying amount under IFRS 9 KD
Bank balances and cash	Loans and receivables	Amortised cost	1,727,191	-	1,727,191
Accounts receivable	Loans and receivables	Amortised cost	721,628	(475,895)	245,733
Investment securities	AFS	FVOCI	4,826,293	68,765	4,895,058
Financial assets at fair value through profit or loss	FVTPL	FVTPL	26,758	-	26,758
Total financial assets			7,301,870	(407,130)	6,894,740

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

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2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 15 - *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2015 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

However, as the management are still in the process of assessing the full impact of the application of IFRS 9 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is in the process of quantifying the impact of this standard on the financial statements, and does not expect any significant impact on adoption of this standard.

Amendments to IAS 40 - *Transfers of Investment Property*
The amendment is applied prospectively, however, retrospective application in accordance with IAS 8 is permitted if possible without the use of hindsight. The amendment clarifies when an entity should transfer property, including property under construction or development into, or out of, investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This is effective for accounting periods beginning on or after 1 January 2018.

IFRS 16: *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16: *Leases* (continued)

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 28: *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at reporting period.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated income statement. Any investment retained is recognised at fair value.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Tuition fees
Tuition fees are recognised in the year to which they relate on a time proportionate basis, less any allowable discounts.

Dividend income
Dividend income is recognised when the Group's right to receive payment is established.

Rental income
Rental income from operating leases of investment properties is recognised on straight line basis over the lease term.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of taxable profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries subject to KFAS, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Zakat
Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

Taxation on foreign subsidiaries
Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the country where the subsidiaries operate.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary
asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Investment property
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidate statement of profit or loss in the period of derecognition.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over
those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments
In the current period the Group has adopted IFRS 9 Financial Instruments. See Note 2.2 for an explanation of the impact. Comparative figures for the year ended 30 September 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

a) Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Classification and subsequent measurement

Financial assets - Policy effective from 1 October 2017 (IFRS 9)
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 October 2017
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 October 2017

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 October 2017

• Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
• Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
• Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets – Policy applicable before 1 October 2017

• Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
• Loans and receivables	Measured at amortised cost using the effective interest method.
• Available-for-sale financial assets (AFS)	Measured at fair value and changes therein, other than impairment losses, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables and accruals

c) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets - *Policy applicable from 1 October 2017*

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. Equity investments are not subject to ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of financial assets - *Policy applicable before 1 October 2017*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

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2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent asset are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Significant judgments
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of real estate properties
Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Classification of financial assets

Effective from 1 October 2017 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Classification of financial assets **(continued)**

Effective before 1 October 2017 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

Impairment of available-for-sale financial assets

Effective before 1 October 2017 (IAS 39)
The Group treats the available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group considered a decline of 30% to be significant and a period of 12 months to be prolonged.

Lease classification - Group as a lessor
The Group has entered into vehicle leasing arrangements with customers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vehicles and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vehicles, that it retains all the significant risks and rewards of ownership of these vehicles and accounts for the contracts as operating leases.

3.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

Effective from 1 October 2017 (IFRS 9)
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Effective before 1 October 2017 (IAS 39)
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 14.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 INVESTMENT PROPERTY

	2018 KD	2017 KD
At 1 October	6,918,387	6,907,983
Change in fair value [1]	(1,466,467)	(17,445)
Foreign exchange translation differences	19,453	27,849
At 30 September	5,471,373	6,918,387

Investment property represents a freehold land and building owned by the Group's subsidiary "Al Maali Real Estate Company W.L.L" in the Kingdom of Saudi Arabia.

The fair value of investment property is determined based on valuations performed by independent and accredited valuer with recognised and relevant professional qualification and with recent experience in the location and category of investment property being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using market comparison approach considering the nature and usage of the property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of the investment property witnessed a decrease of KD 1,466,467 compared to its carrying values as at 30 September 2018 (2017: KD 17,445).

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5 INVESTMENT SECURITIES

	2018 KD	2017 KD
New classification under IFRS 9:		
Equity instruments at FVOCI	4,870,753	-
Financial assets at FVTPL	18,078	-
Original classification under IAS 39:		
Available-for-sale (AFS) financial assets	-	4,826,293
Financial assets at FVTPL	-	26,758
	4,888,831	4,853,051

As at 30 September 2017, certain equity instruments amounting to KD 1,117,362 that do not have a quoted price in active market and whose fair value cannot be measured reliably were accounted at cost (in accordance with IAS 39). These instruments have been measured at fair value at the date of initial application of IFRS 9. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings or OCI, as appropriate (Note 2.2). Further details on valuation methods and assumptions are disclosed in Note 14.

Quoted equity securities are listed on Amman Stock Exchange, Jordan.

6 INVESTMENT IN ASSOCIATES

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	("KU") KD	("KTEC") KD	Others KD	2018 KD	2017 KD
Current assets	929,912	4,502,665	2,298,688	7,731,265	7,091,762
Non-current assets	9,468,313	3,764,442	2,212,940	15,445,695	15,331,076
Current liabilities	(827,638)	(450,316)	(227,810)	(1,505,764)	(1,711,512)
Non-current liabilities	(1,318,321)	(559,149)	(611,921)	(2,489,391)	(1,896,118)
Equity	8,252,266	7,257,642	3,671,897	19,181,805	18,815,208
Proportion of the Group's ownership					
Group's share in the equity	3,230,463	1,310,972	1,119,135	5,660,570	6,304,824
Goodwill arising on acquisition of associates	-	415,547	585,169	1,000,716	999,737
Carrying value of th investment	3,230,463	1,726,519	1,704,304	6,661,286	7,304,561
Revenue	1,975,857	4,228,605	3,724,209	9,928,671	9,876,276
Total expenses	(1,895,023)	(2,767,134)	(3,536,475)	(8,198,632)	(8,269,121)
Profit for the year	80,834	1,460,151	187,734	1,728,719	1,605,834
Group's share of profit for the year	36,682	292,030	53,926	382,638	321,621

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6 INVESTMENT IN ASSOCIATES (continued)

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

	2018 KD	2017 KD
As at 1 October	7,304,561	7,282,851
Additional contribution*	101,327	-
Share of results	382,638	321,621
Dividends received	(275,522)	(312,341)
Transition adjustment on initial application of IFRS 9 at 1 October 2017 (Note 2.2)	(805,524)	-
Foreign currency translation adjustment	(46,194)	12,430
As at 30 September	6,661,286	7,304,561

* The Parent Company has contributed an amount of KD 101,327 towards additional paid-in capital of Kingdom University (KU). The amounts have been classified as a separate reserve within equity as the legal formalities in respect of the capital increase are still in progress.

As at 30 September 2018, the Group had no commitments and contingent liabilities (2017: KD Nil) from associates.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018 KD	2017 KD
Rent receivables	793,159	721,628
Less: Allowance for expected credit losses	(475,895)	-
	317,264	721,628
Prepayments	3,368	8,935
Receivables from a related party (Note 11)	341,522	-
Other receivables	2,360	110,437
	664,514	841,000

The net carrying value of rent receivables is considered a reasonable approximation of fair value. Rent receivables are non-interest bearing and are typically due within 180 days.

Note 12 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's rent receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

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8 SHARE CAPITAL

	2018 KD	2017 KD
Authorised, issued and fully paid up in cash 150,000,000 shares of 100 fils each	15,000,000	15,000,000

9 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfers were made in current year due to losses incurred by the Parent Company (2017: KD 62,585)

10 ACCOUNTS PAYABLES AND ACCRUALS

	2018 KD	2017 KD
Accrued leave	9,614	9,777
Dividends payable to the shareholders	334,595	205,850
Payables to a related party (Note 11)	24,995	-
Other payables and accruals	120,841	196,091
	490,045	411,718

11 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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11 RELATED PARTY DISCLOSURES (continued)

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2018	*2017*
	KD	*KD*
Consolidated statement of financial position		
Receivables from a related party (Note 7)	**341,522**	-
Payables to a related party (Note 10)	**24,995**	-

Unquoted foreign equity securities amounting to KD 418,150 (2017: KD 435,362) are managed by a related party on behalf of the Group (Note 5).

Transactions with key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows.

	2018	*2017*
	KD	*KD*
Salaries and other short term benefits	**60,855**	73,452
Terminal benefits	**3,660**	12,504
	64,515	85,956

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at 30 September 2018, the Group has not recorded any allowance for expected credit losses relating to amounts owed by related parties (30 September 2017: KD Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

12 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor these business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the year ended 30 September 2018 and 30 September 2017.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily rent receivables) and from its financing activities, including bank balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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12 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure to credit risk
The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2018	*2017*
	KD	*KD*
Accounts receivable (excluding prepayments)	**661,146**	832,065
Bank balances (excluding cash on hand)	**883,808**	1,726,369
	1,544,954	2,558,434

Bank balances
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

Rent receivables
The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of rent receivables from individual customer. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

As at 30 September 2018, the maximum credit exposure to a single counterparty amounted to KD 793,159 (2017: KD 721,628).

Comparative information under IAS 39
In the prior year, the impairment of rent receivables was assessed based on the incurred loss model. Receivable balances which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivable were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For this receivable the estimated impairment loss was recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash. As at 30 September 2017, the Group didn't recognise impairment on its rent receivables.

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12 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected credit loss assessment for rent receivables as at 1 October 2017 and 30 September 2018
The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECL of rent receivable from the customer. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Rent receivable balance of KD 793,159 is above one year and ECL amounting to KD 475,895 is calculated on these balance based on expected credit loss rate of 60%.

The Group does not hold collateral as security.

Other receivables and amounts due from a related party

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following geographic regions and industry sectors:

	2018 KD	*2017 KD*
Geographic regions		
Kuwait	**789,413**	1,301,555
Gulf region	**755,541**	1,256,879
	1,544,954	2,558,434

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group has procedures in place with the objective of minimising such risk such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

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12 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 September 2018	***On demand KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Total KD***
Accounts payable and accruals	**359,590**	**19,551**	**110,904**	**490,045**
Total liabilities	**359,590**	**19,551**	**110,904**	**490,045**

30 September 2017	*On demand KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Total KD*
Accounts payable and accruals	205,850	69,357	136,511	411,718
Total liabilities	205,850	69,357	136,511	411,718

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. The Group is mainly exposed to foreign currency risk and equity price risk. The Group is not exposed to interest rate risk as it does not hold any interest bearing assets or liabilities.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates in Kuwait, Kingdom of Saudi Arabia, Bahrain and United Arab Emirates and as a result is exposed to changes in exchange rates of the Saudi Riyal. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies.

Foreign currency risk is managed by the Parent Company by continuous assessment of the Group's open positions and current and expected exchange rate movements.

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12 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

The Group had the following significant net exposures denominated in foreign currencies as at 30 September:

	2018	*2017*
	KD	*KD*
SAR Saudi Riyal	**269,846**	1,250,927

The sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) and other comprehensive income (due to changes in net investment in foreign operations) to a 5% possible change in the exchange rates, with all other variables held constant, is not significant.

Equity price risk
The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) (Note 5). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 1,186,127. Sensitivity analyses of these investments have been provided in Note 14.

The Group's listed equity investment is publicly traded on Jordan Stock Exchange.

The impact of increases/decreases of the respective price indices in the Jordan market on the Group's equity is KD 160,281 (2017: KD 194,719). The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

13 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2018 and 30 September 2017. Capital comprises share capital and all other equity reserves and is measured at KD 18,091,912 as at 30 September 2018 (2017: KD 21,255,622).

14 FAIR VALUE MEASUREMENT

Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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14 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)
Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

14.1 Financial instruments

The following tables provide the fair value measurement hierarchy of the Group's financial assets:

	Fair value measurement using			
	Quoted prices in active markets	***Significant observable inputs***	***Significant unobservable inputs***	
	Level 1	***Level 2***	***Level 3***	***Total***
2018	***KD***	***KD***	***KD***	***KD***
Assets measured at fair value:				
Quoted equity securities	**3,684,626**	**-**	**-**	**3,684,626**
Unquoted equity securities	**-**	**-**	**1,186,127**	**1,186,127**
Financial assets at FVTPL (mutual fund)	**-**	**-**	**18,078**	**18,078**
	3,684,626	**-**	**1,204,205**	**4,888,831**
2017				
Available for sale financial assets				
Quoted equity securities	**3,708,931**	**-**	**-**	**3,708,931**
Financial assets at FVTPL (mutual fund)	**-**	**-**	**26,758**	**26,758**
	3,708,931	**-**	**26,758**	**3,735,689**

There were no transfers between any levels of the fair value hierarchy during 2018 or 2017.

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Bank balances and cash
- Accounts receivables
- Accounts payable and other accruals

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14 FAIR VALUE MEASUREMENT (continued)

14.1 Financial instruments (continued)

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments
The Group have equity investments that are not quoted in an active market. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by using an average of the quoted prices of the comparable companies to earnings measures or net asset value (NAV). The trading multiple is then discounted for considerations such as illiquidity, lack of control and size differences between the peers based on company-specific facts and circumstances and discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. In NAV approach, assets of the investee are fair valued and then discounted for specific factors of the investee. The Group classifies the fair value of these investments as Level 3.

Reconciliation of Level 3 fair values
The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	At 1 October	*IFRS 9 transition adjustment*	*At 30 September*
30 September 2018	*KD* **(Restated)**	*KD*	*KD*
Financial assets at fair value through other comprehensive income:			
Equity securities	**1,117,362**	**68,765**	**1,186,127**

* Due to a change in accounting policy, available-for-sale financial assets measured at cost less impairment (in accordance with IAS 39) amounting to KD 1,117,362 were recognised in Level 3 for the first time. Refer to Note 2.2 for more information.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 September are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	5% - 20% (2017: Nil)	10% (2017: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 191,994 (2017: KD Nil)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

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14 FAIR VALUE MEASUREMENT (continued)

14.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
2018	*KD*	*KD*	*KD*	*KD*
Investment property	**5,471,373**	**-**	**-**	**5,471,373**
2017				
Investment property	**6,918,387**	**-**	**-**	**6,918,387**

There were no transfers between any levels of the fair value hierarchy during 2018 or 2017.

Reconciliation of Level 3 fair values
Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 4.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy is price per sqm (market approach) (2017: income capitalisation approach).

Sensitivity analysis
Based on 5% increase/(decrease) in average market prices, the value of the investment properties would be increased/(decreased) by KD 6 per sqm would impact the consolidated statement of profit or loss by KD 273,569 (2017: KD 345,919).

15 DISTRIBUTIONS MADE AND PROPOSED

	2018 ***KD***	*2017* *KD*
Cash dividends on ordinary shares declared:		
Final dividend for 2017: 5 fils per share (2016: 5 fils per share)	**750,000**	750,000
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2018: 5 fils per share (2017: 5 fils per share)	**-**	750,000